



HART SCHAFFNER & MARX / *Annual Report 1961*

HIGHLIGHTS

	Year Ended November 30		
	1961	1960	1959*
<i>Operating</i>			
Net sales	\$90,737,000	\$89,905,000	\$83,142,000
Income before taxes	4,613,000	4,986,000	5,261,000
Net income	2,509,000	2,288,000	2,811,000
Cash dividends	1,067,000	1,011,000	830,000
Per share of stock:			
Number of shares	890,505	886,195	433,128
Earnings	2.82	2.58	3.25
Dividends	1.20	1.15	.95
<i>Financial</i>			
Working capital	32,067,000	30,408,000	29,780,000
Additions to property and equipment	663,000	1,878,000	792,000
Depreciation	1,213,000	1,171,000	1,166,000
Long-term debt	5,830,000	6,350,000	6,869,000
Stockholders' equity	36,963,000	35,461,000	33,924,000
Stockholders' equity per share	41.51	40.01	39.16
<i>Other</i>			
Number of employees	7,200	7,500	7,500
Number of shareholders	2,300	2,200	1,900

*Per share figures have been adjusted for two-for-one stock split on March 31, 1960.

Board of Directors

EUGENE BASHORE
JEROME S. GORE
JOHN D. GRAY
WALTER M. HEYMANN
JAMES M. NICELY

JOSEPH HALLE SCHAFFNER
JOEL SPITZ
CLAY E. STEELE
HARRY L. WELLS

Officers

JOHN D. GRAY
President
MARIO CIUCCI
Vice-President
JOSEPH CURI
Vice-President
HAROLD R. ELLMAN
Vice-President
JEROME S. GORE
Vice-President

BERNARD A. RITTERSPORN
Vice-President
LEONARD G. JOHNSON
2nd Vice-President
RICHARD W. GARBE
Secretary & Comptroller
B. THOMAS RODGERS
Treasurer
HUGH H. GALLARNEAU
Assistant to the President

Chicago Office

36 South Franklin Street
Chicago 6, Illinois

New York Office

200 Fifth Avenue,
New York 10, New York

Transfer Agents


The First National Bank of Chicago
Chicago 90, Illinois

Bankers Trust Company
New York 15, New York

Registrars of Stock

Continental Illinois National Bank and
Trust Company of Chicago
Chicago 90, Illinois

Chemical Bank New York Trust Company
New York 15, New York



MESSAGE FROM THE PRESIDENT

To Our Stockholders:

The year 1961 was a favorable one for the company in terms of earnings, sales volume, and improved financial position despite certain adverse influences.

The year began in a state of depressed economy and ended in one of discreet optimism. In our own industry, production was lower, primarily because of a general liquidation of inventories at both wholesale and retail levels.

Three facts stand out in the operations for the year ended November 30, 1961:

1. Earnings were \$2,509,000, or \$2.82 per share, as compared to \$2,288,000, or \$2.58 per share, in 1960. This improvement occurred primarily in the last half of the year.
2. Sales increased \$832,000 to \$90,737,000, a new high. The improvement was due primarily to increased volume in our retail stores.
3. Short term bank loans were \$4,000,000 on November 30, 1961, a reduction from \$9,000,000 on November 30, 1960. Bank loans were reduced further to \$1,000,000 soon after the start of the new fiscal year compared with \$6,000,000 at the same time a year ago. Correspondingly, inventories were \$27,508,000, down \$3,571,000 from last year.

On December 18, 1961, the quarterly dividend was increased to 35¢ per share, or \$1.40 on an annual basis, compared with \$1.20 last year. The improved financial position and our confidence in the earning power of the company warranted this increase in the dividend rate. It is the third increase in quarterly dividends in the past three years.

A number of improvement programs now under way will add to the efficiency of our operation and will strengthen further our competitive position. Prospects for the first half of 1962 are encouraging and results should compare favorably with last year. We are confident that the year, with the general improvement that is expected in the economy plus our unusual combination of strength in the manufacturing and retail divisions, will produce favorable results.

This year, on the occasion of the company's 75th anniversary, it is appropriate to reflect on what has made Hart Schaffner & Marx the most famous name in men's clothing. We think that over the years the most important single factor has been our close relationship with independent dealers. From the very beginning there was a true mutuality of interests. We played a part in

helping our dealers to become leading merchants in their communities, and they, in turn, helped us to achieve national leadership. Today a remarkably high percentage of quality clothiers in every part of the United States features Hart Schaffner & Marx clothes as the cornerstone of their businesses. We are proud to be associated with them and are grateful for their cooperation and loyalty.

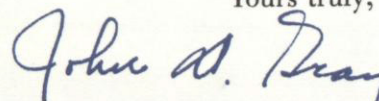
On October 19, 1961, a memorial fund was established at Harvard University in honor of Mr. Meyer Kestnbaum, late president of Hart Schaffner & Marx. Its purpose is to foster through lectures, seminars, and publications the kind of constructive industrial relations that are so well exemplified by the historic contractual arrangement that has resulted in 51 years of labor peace between Hart Schaffner & Marx and the Amalgamated Clothing Workers of America. Contributions to the fund were made by the company, the Amalgamated Clothing Workers of America through the Sidney Hillman Foundation, the Kestnbaum family, and others.

With the close of the year, Mr. Clay E. Steele, Senior Vice President, retired after 42 years of distinguished service to the company. He held various executive positions, and, for many years before his selection as Senior Vice President, was chief financial officer. He carries with him our gratitude for his outstanding contribution to the company. Mr. Steele continues as a director.

On December 18, 1961, Mr. James M. Nicely was elected a director of the company. Mr. Nicely is Vice President and Treasurer of The Ford Foundation. Before his association with The Ford Foundation he was Senior Vice President of The First National City Bank of New York.

The achievements of the past year would not have been possible without the full co-operation of the people in our organization. Your directors join me in expressing our appreciation for the splendid help we have received from all.

Yours truly,



JOHN D. GRAY

President

March 2, 1962

THE YEAR IN REVIEW

EARNINGS

Consolidated earnings were \$2,509,000 or \$2.82 per share in 1961 compared with \$2,288,000 or \$2.58 per share in 1960. Per share earnings are based on 890,505 shares outstanding as of November 30, 1961 and 886,195 shares at the same date in the previous year.

In 1961 the provision for Federal income taxes was approximately 46% of pre-tax income, whereas it was approximately 54% in 1960. Our over-all effective tax rates vary from year to year, mainly because of our complex corporate structure. The effective income tax rates over the past ten years have varied from a low of 43% to a high of 55%.

SALES

Consolidated sales increased \$832,000 to \$90,737,000, a new high. Consolidated sales do not, of course, include sales made by the manufacturing division to our own retail stores. Combined sales volume of our retail stores

alone is in excess of \$60,000,000.

FINANCIAL CONDITION

Our over-all financial condition and working capital continued to improve. Working capital totaled \$32,067,000 at year end (November 30, 1961), up \$1,659,000 from the prior year.

The principal items that affect working capital are these:

Funds come from:

Earnings for the year	\$2,509,000
Depreciation, a non-cash expense	1,213,000
Other sources	187,000
	<u>3,909,000</u>

Funds were used for:

Payment of dividends	1,067,000
Reduction of long term debt	520,000
Property additions	663,000
Total	<u>2,250,000</u>
Increase in working capital	<u>\$1,659,000</u>

MANUFACTURING DIVISION

Again in 1961 the company presented one of the world's most comprehensive selections of men's and women's tailored clothing. In our six modern plants more than 4000 different fabrics were processed for the Hart Schaffner & Marx and Society Brand labels.

Producing a fine suit requires more than 200 manufacturing operations, so the craftsman's skill remains one of the primary ingredients in quality tailoring. Our 4439 employees may be proud of the consistently fine quality of the merchandise they produce. This traditionally high quality is maintained also by our con-

tinuing research and development programs.

Additional trouser production facilities at the Rochester, Indiana plant were completed during the latter part of the year. Started in December, 1959, this facility now has a capacity to produce 500,000 pairs of trousers per year. The factory in Joliet, Illinois also was expanded, and production capacity increases were achieved in two of the Chicago plants. Manufacturing plant investments in 1961 included the purchase of modern air-actuated pressing machines and sponging equipment and also new sewing and specialty machinery.



Exterior of new plant at Rochester, Indiana, completed in 1961.



View of a Hart Schaffner & Marx trouser shop production line.

MARKETING

Today the famous Trumpeter label of Hart Schaffner & Marx occupies a dominant position in the \$80 to \$150 retail price field, a most important segment of the clothing market.

During 1961, company sales representatives sold Hart Schaffner & Marx clothing to quality retail stores in fifty states. A substantial number of new outlets were added which helped us to maintain our sales volume during an economically difficult year for the men's wear industry.

Handsome simplicity in raw material fabri-

cation continued to keynote the styling trend. The bold and often exaggerated concepts which characterized both patterns and model silhouettes in the early 1950's were gone. Advanced mill techniques have made finer spun yarns and much lighter weight fabrics possible. A virtual revolution in consumer demand has resulted. The added comfort of these fine-textured quality fabrics has substantially increased their desirability for year-round wear. The most dramatic movement is illustrated in sportswear



Hart Schaffner & Marx 3-button Trend model is company's most popular suit.



HS&M's famous tailoring creates figure-flattering lines in lady's wool bouclé suit.



Society Brand "Wilshire" suit reflects the important revival of the 2-button model.

with lightweight worsteds and synthetic blends completely overshadowing the traditional heavy wool tweeds.

Spring, 1962, marks the beginning of a new Hart Schaffner & Marx national magazine advertising campaign, capitalizing on the high prestige of the Trumpeter label with both the trade and the general public. The advertisements feature quality and fashion, and they also communicate the extra intangible values of Hart Schaffner & Marx clothing. The cover

of this report is an illustration from the new advertising campaign.

Our Society Brand Division has recently opened several large accounts in major cities, and prospects for developing additional new accounts in key markets in 1962 are excellent. During the year, Society Brand Clothes will celebrate its 60th Anniversary and introduce an entirely new advertising and marketing program directed primarily to the growing metropolitan areas of the country.



"Surrey Shop" at Zachry, Atlanta, concentrates natural shoulder "traditional" style clothing and furnishings in same department.



"Miss Baskin" Shop, new addition at Baskin, Chicago, specializes in accessories, intimate apparel and sportswear in junior sizes.

RETAIL STORE DIVISION

The retail store division is composed of 77 stores in 37 metropolitan areas. The first stores were acquired in 1926. We expect to continue the company's expansion in this field as desirable opportunities present themselves, both by acquisition of stores and opening of new branch stores in communities in which we are already established.

Our retail stores are operated on a decentralized basis. Experience has shown the value of giving considerable autonomy to these outlets, so that merchandising policies and practices can be geared effectively to local requirements. However, there is close co-ordination of the over-all retail store operation so that the greatest benefits result from the ownership

of this large group of fine apparel stores.

The stores' emphasis is on Hart Schaffner & Marx clothing, although other products, including clothing from other manufacturers, furnishings, sports wear, hats and shoes, are also carried to provide customers with balanced selections of quality men's wearing apparel. We have recently installed "Ivy Shops" featuring young men's clothing in many of our stores to take advantage of this growing market for our merchandise. Many of our larger downtown stores and most of our new suburban stores provide a special section for ladies' wear, featuring Hart Schaffner & Marx women's suits and coats.

The following new suburban locations are to



Corner of newly expanded clothing section at Fannin's, Montgomery, shows extensive selection of HS&M sport coats and slacks.



Leopold Price & Rolle suburban store, opened in September, 1961, has 106-foot frontage on the Mall at Sharpstown Shopping Center, Houston.

be opened in 1962: Baskin, in Oakbrook Center near Chicago; Arthur Frank, in the Cottonwood Center in Salt Lake City; Wallachs, in the Walt Whitman Shopping Center, Huntington, Long Island; Hastings, in the Hillsdale Center near San Francisco.

In 1963, Baskin will open a new store in Evergreen Plaza Shopping Center, near Chicago. In addition, several other choice suburban locations to be opened in 1962 and 1963 will be announced at an early date.

The co-ordination of our retail store division operations with those of our manufacturing division has proved to be advantageous in many ways. Our stores serve as an important outlet for our own clothing and this enables

the company to plan confidently well ahead in scheduling woolen purchases and factory production. These stores spend substantial sums in their respective communities advertising Hart Schaffner & Marx clothing. Also, this close association of retail and manufacturing operations has enabled us to better serve our independent retail distributors because we have direct access to consumer preferences.

The retail stores make a major contribution to the sales, profits, and success of the company. Prospects for the coming year are good—retail store sales were at record high levels in December, 1961, and January, 1962. Our retail division is in an excellent position to make further progress in the quality apparel field.

HART SCHAFFNER & MARX AND SUBSIDIARY

Assets

	November 30	
	1961	1960
CURRENT ASSETS:		
Cash	\$ 2,664,575	\$ 2,869,095
Accounts receivable, less allowance for doubtful accounts—\$915,520 and \$889,810 respectively	14,807,262	14,102,944
Inventories, at lower of cost or market	27,508,254	31,079,525
Prepaid expenses	703,389	799,547
Total current assets	<u>45,683,480</u>	<u>48,851,111</u>
 CASH VALUE OF LIFE INSURANCE AND OTHER INVESTMENTS	 <u>330,467</u>	 <u>389,171</u>
 PROPERTIES, at cost		
Land	107,000	107,000
Buildings and equipment	14,531,798	14,283,533
Leasehold improvements	11,499,213	11,423,754
	<u>26,138,011</u>	<u>25,814,287</u>
 Less—Accumulated depreciation and amortization	 <u>15,653,530</u>	 <u>14,716,975</u>
	<u>10,484,481</u>	<u>11,097,312</u>
	<u>\$56,498,428</u>	<u>\$60,337,594</u>

COMPANIES: CONSOLIDATED BALANCE SHEET

Liabilities

	November 30	
	1961	1960
CURRENT LIABILITIES:		
Notes payable	\$ 4,000,000	\$ 9,000,000
Current maturities of long-term debt	511,332	511,332
Accounts payable	5,972,935	5,860,334
Accrued expenses	1,873,326	1,786,946
Federal and state income taxes	1,258,420	1,284,384
Total current liabilities	<u>13,616,013</u>	<u>18,442,996</u>
LONG-TERM DEBT, less current maturities:		
4½% note payable, due June 1, 1972	5,555,000	6,055,000
Advances and loans, extending to 1977	275,153	294,992
	<u>5,830,153</u>	<u>6,349,992</u>
MINORITY STOCKHOLDERS' INTEREST	<u>89,281</u>	<u>83,870</u>
STOCKHOLDERS' EQUITY:		
Common stock—\$5 par value, 2,000,000 shares authorized, 937,500 shares issued and outstanding	4,687,500	4,687,500
Capital surplus	3,907,381	3,880,365
Retained earnings	29,105,364	27,663,130
	<u>37,700,245</u>	<u>36,230,995</u>
Less—Treasury stock at cost—46,995 and 51,305 shares respectively	737,264	770,259
	<u>36,962,981</u>	<u>35,460,736</u>
	<u>\$56,498,428</u>	<u>\$60,337,594</u>

HART SCHAFFNER & MARX AND SUBSIDIARY COMPANIES

Consolidated Statement of Income

	Years Ended November 30	
	1961	1960
Net sales	\$90,737,418	\$89,905,229
Other income	583,785	344,204
	<u>91,321,203</u>	<u>90,249,433</u>
Less:		
Cost of goods sold	57,401,697	57,053,709
Selling, administrative and occupancy expense	27,487,703	26,403,484
Depreciation and amortization	1,213,419	1,171,188
Interest	605,586	635,445
	<u>86,708,405</u>	<u>85,263,826</u>
Income before taxes	4,612,798	4,985,607
Taxes on income	2,103,788	2,697,605
Net income for the year	<u>\$ 2,509,010</u>	<u>\$ 2,288,002</u>

Consolidated Statement of Retained Earnings

Retained earnings at beginning of year	\$27,663,130	\$26,386,260
Net income for the year	2,509,010	2,288,002
	<u>30,172,140</u>	<u>28,674,262</u>
Cash dividends, \$1.20 and \$1.15 per share respectively	1,066,776	1,011,132
Retained earnings at end of year	<u>\$29,105,364</u>	<u>\$27,663,130</u>

To the Stockholders and Board of Directors of Hart Schaffner & Marx

In our opinion, the accompanying statements present fairly the consolidated financial position of Hart Schaffner & Marx and its subsidiaries at November 30, 1961 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

Chicago, Illinois, January 5, 1962

Notes to Financial Statements

RESTRICTION ON RETAINED EARNINGS:

Under the terms of the agreement relating to the 4½% note payable, due June 1, 1972, \$23,332,000 of retained earnings at November 30, 1961 is restricted as to the payment of cash dividends.

LEASES:

As at November 30, 1961 the company and its subsidiaries occupied properties under ninety-four lease agreements with terms expiring from one to thirty-six years after that date, and requiring a minimum rental payment of approximately \$2,600,000 for 1962. Certain of the leases provide for payment of taxes by the lessees and additional rental based upon a percentage of sales in excess of stipulated minimums.

STOCK OPTION PLANS:

Under restricted stock option plans, 21,760 shares of stock held in the treasury and 60,000 shares of unissued stock are reserved for options granted or to be granted to officers and key employees. The changes in the outstanding options during the year were as follows:

Shares under option—November 30, 1960	41,070
Options granted during the year	<u>35,500</u>
	76,570
Less:	
Options exercised during the year	4,310
Options terminated during the year	<u>15,000</u>
	19,310
Shares under option—November 30, 1961	<u>57,260</u>

Options on 11,235 shares were exercisable at November 30, 1961. All option grants were at the highest selling price of the stock on the New York Stock Exchange on the dates of the grants. The option prices range from \$13.30 to \$29.00 per share.

20 YEAR FINANCIAL SUMMARY

Financial Position

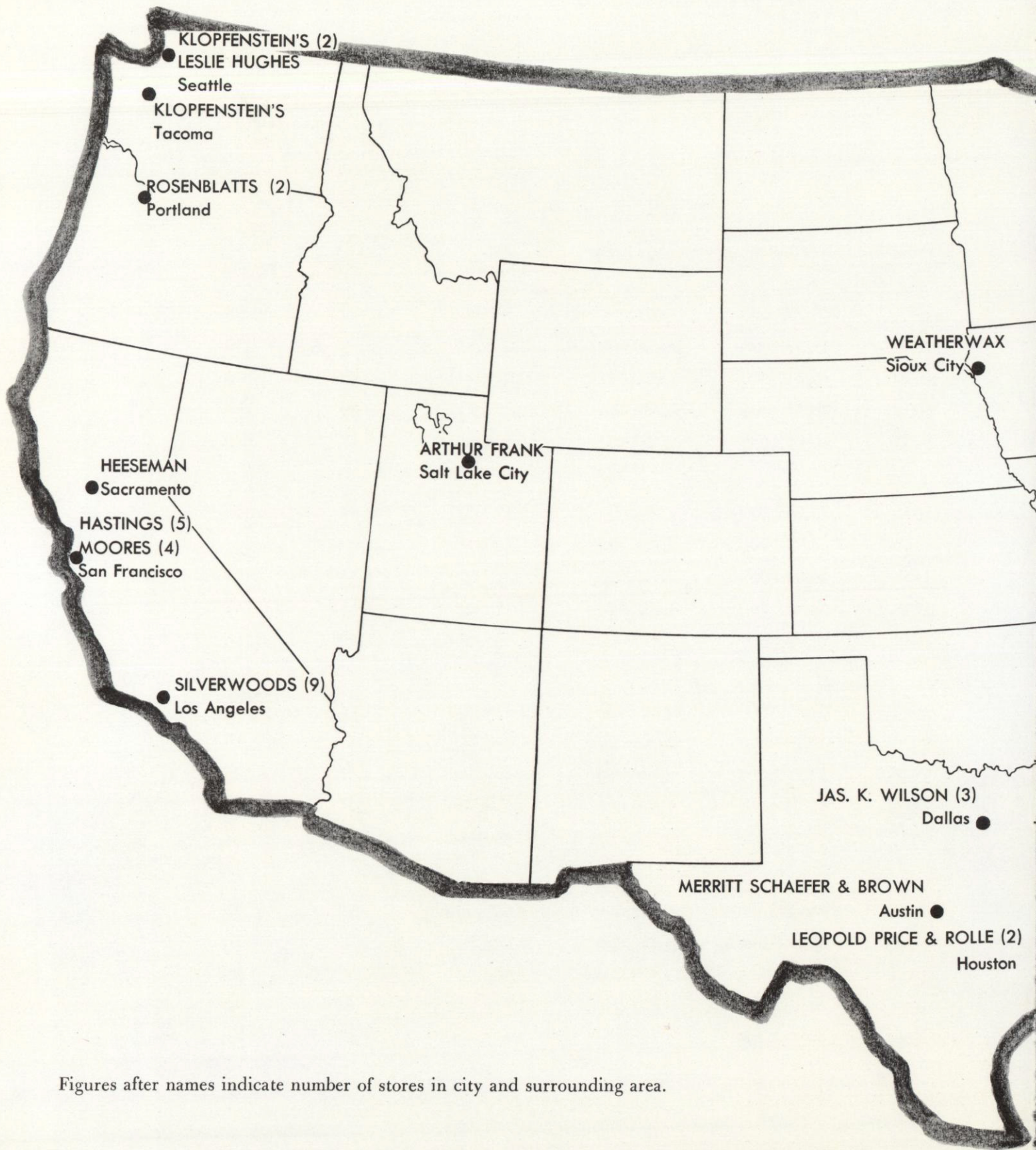
At Nov. 30	Working Capital	Properties Less De- preciation	Long Term Debt	Stockholders Equity	
				Total	Per Share
1961	\$32,067,000	\$10,484,000	\$5,830,000	\$36,963,000	\$41.51
1960	30,408,000	11,097,000	6,350,000	35,461,000	40.01
1959	29,780,000	10,719,000	6,869,000	33,924,000	39.16
1958	28,139,000	11,123,000	7,253,000	32,267,000	36.87
1957	24,826,000	11,932,000	6,260,000	31,141,000	35.58
1956	23,287,000	11,903,000	5,467,000	29,928,000	34.20
1955	22,981,000	11,233,000	6,224,000	28,130,000	32.14
1954	22,523,000	11,307,000	7,041,000	26,952,000	30.80
1953	20,006,000	11,336,000	5,207,000	26,280,000	30.03
1952	19,097,000	12,039,000	5,903,000	25,416,000	29.04
1951	18,480,000	11,902,000	6,139,000	24,387,000	27.87
1950	18,228,000	11,357,000	6,725,000	23,510,000	26.86
1949	18,934,000	10,033,000	7,115,000	22,621,000	25.85
1948	17,945,000	8,385,000	5,600,000	21,833,000	24.63
1947	13,032,000	5,548,000	—	19,756,000	22.29
1946	13,763,000	2,604,000	—	17,581,000	19.39
1945	12,591,000	1,293,000	—	14,528,000	16.51
1944	12,261,000	1,033,000	—	13,451,000	15.13
1943	11,184,000	1,063,000	—	12,386,000	13.94
1942	9,642,000	1,259,000	—	11,005,000	12.82

Sales Earnings Dividends

Year Ended Nov. 30	Net Sales	Earnings Before Income Taxes	Net Income	Earnings Per Share	Cash Dividends Per Share
1961	\$90,737,000	\$4,613,000	\$2,509,000	\$2.82	\$1.20
1960	89,905,000	4,986,000	2,288,000	2.58	1.15
1959	83,142,000	5,261,000	2,811,000	3.25	.95
1958	76,149,000	3,202,000	1,827,000	2.09	.80
1957	80,812,000	3,397,000	1,895,000	2.17	.80
1956	79,532,000	4,314,000	2,458,000	2.81	.80
1955	74,771,000	3,797,000	1,736,000	1.99	.64
1954	66,576,000	2,689,000	1,229,000	1.41	.64
1953	68,867,000	3,042,000	1,425,000	1.63	.64
1952	62,263,000	1,860,000	1,035,000	1.19	.64
1951	61,672,000	3,266,000	1,519,000	1.74	.64
1950	59,257,000	2,909,000	1,648,000	1.89	.88
1949	57,773,000	2,592,000	1,639,000	1.87	.96
1948	63,038,000	4,970,000	2,928,000	3.31	.96
1947	56,528,000	5,596,000	3,284,000	3.71	.96
1946	45,808,000	5,683,000	3,423,000	3.78	.72
1945	33,805,000	3,932,000	1,646,000	1.85	.64
1944	33,814,000	3,278,000	1,393,000	1.57	.48
1943	31,174,000	3,381,000	1,631,000	1.84	.80
1942	26,390,000	2,615,000	1,438,000	1.68	.08

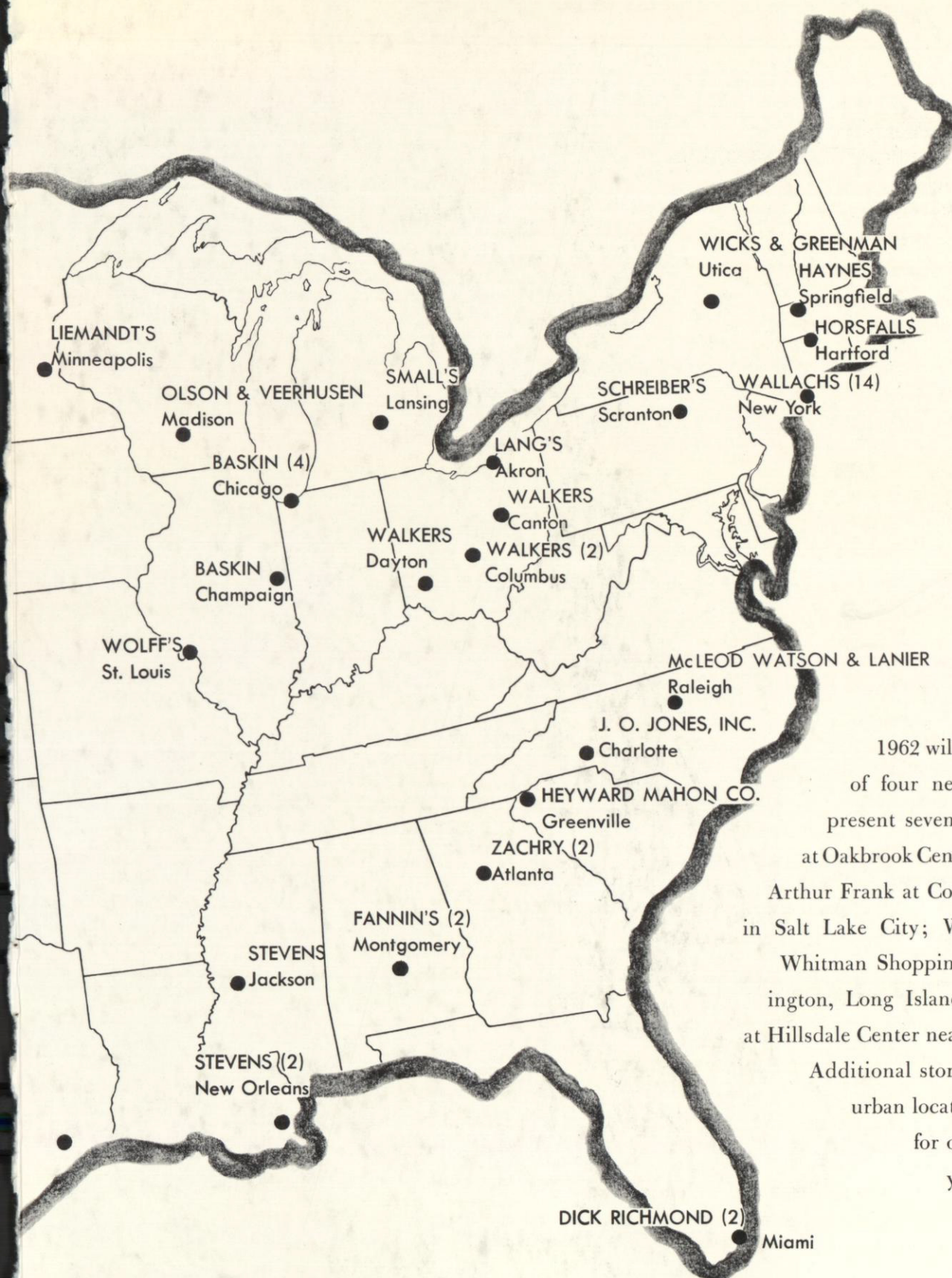
All per share figures are based on stock outstanding at end of each year adjusted to reflect a 2½ for 1 split on March 17, 1944, a 25% stock dividend on April 3, 1956, and a 2 for 1 split on March 31, 1960.

HART SCHAFFNER & MARX RETAIL STORE



Figures after names indicate number of stores in city and surrounding area.

DIVISION: STORES AND LOCATIONS



1962 will see the addition of four new stores to the present seventy-seven: Baskin at Oakbrook Center near Chicago; Arthur Frank at Cottonwood Center in Salt Lake City; Wallachs at Walt Whitman Shopping Center, Huntington, Long Island; and Hastings at Hillsdale Center near San Francisco. Additional stores in choice suburban locations are planned for opening later this year and in 1963.



This cover illustration is from Hart Schaffner & Marx
current national advertising campaign.

